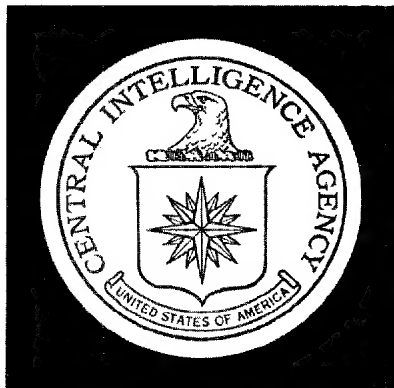


Top Secret



DIRECTORATE OF
INTELLIGENCE

MEMORANDUM

The Situation in Vietnam

OSD review
completed

NSA review completed

State Department review
completed

Top Secret

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Information as of 1600
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HIGHLIGHTS

The Communists lost seven or eight MIG-21s to day in the largest air battle of the war. The New Year's cease-fire period was marked by over 160 Communist initiated incidents, over 50 of which resulted in casualties.

I. The Military Situation in South Vietnam:
The New Year's cease-fire was marked by over 160 incidents, with over 50 resulting in casualties (Paras. 1-2). US patrol boat intercepted apparent Communist sea infiltration attempt off Cau Mau Peninsula (Para. 3). No significant fighting reported since end of cease-fire (Para. 4).

II. Political Developments in South Vietnam:
The Constituent Assembly is scheduled to reconvene tomorrow to begin debate on individual chapters of the constitution (Paras. 1-2). Political views of Southern Renaissance bloc leader expressed to US Embassy officers (Paras. 3-5).

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[] police director Loan is considering several plans to create political crisis in event military officers are precluded from running for office by the new constitution (Paras. 6-7).

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[] corruption among high-ranking officials in Binh Dinh Province is threatening the province's revolutionary development program (Paras. 8-9).

III. Military Developments in North Vietnam:
North Vietnam lost seven and probably eight MIG-21s today in the largest air battle of the war (Paras. 1-3). A substantial increase in ship movements off the southern coast of North Vietnam was noted during the cease-fire period (Para. 4).

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OSD review completed

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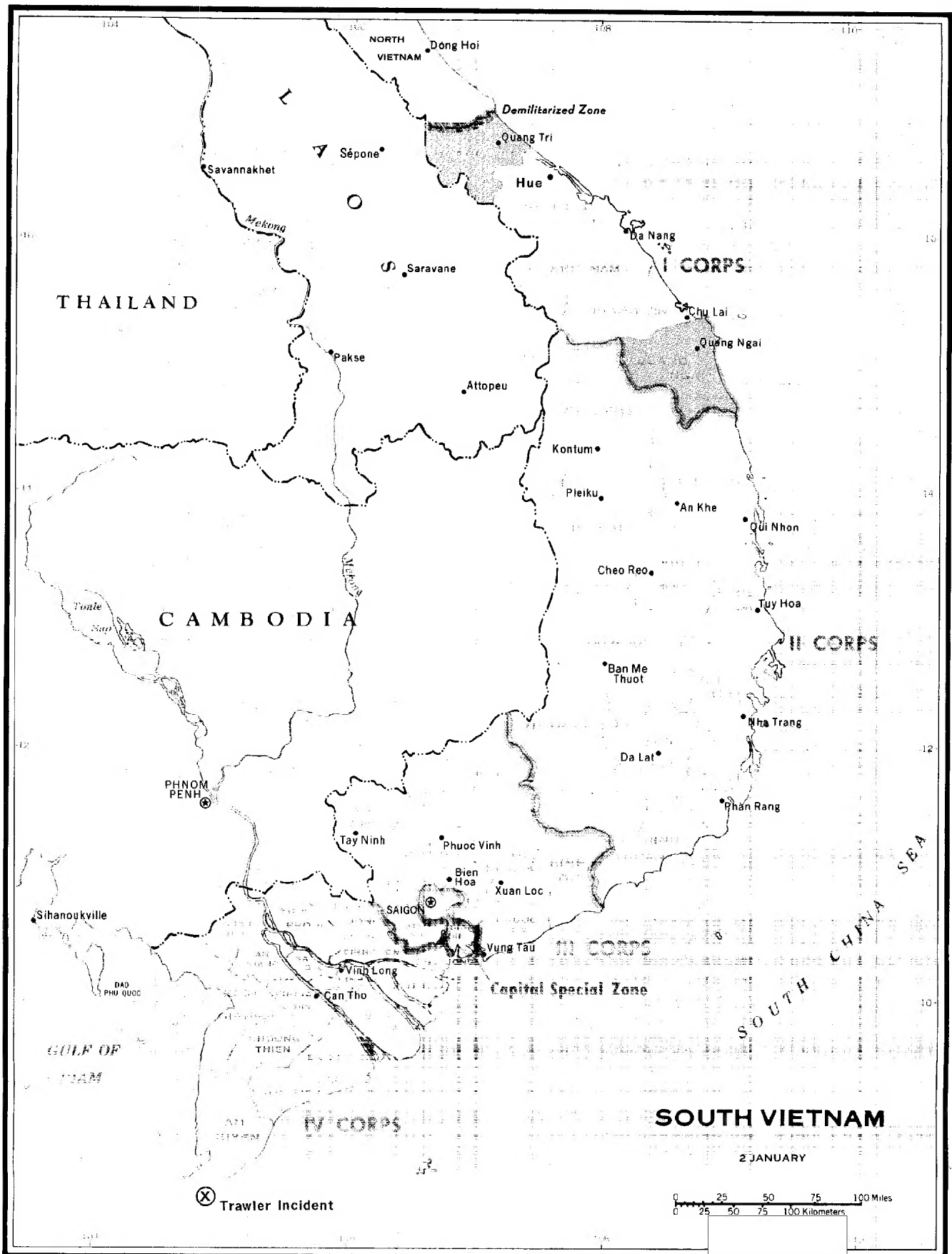
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IV. Other Communist Military Developments:
There is nothing of significance to report.

V. Other Communist Political Developments:
There is nothing of significance to report.

VI. Other Major Aspects: The Thai Government appears to be reconsidering its opposition to sending combat troops to South Vietnam (Paras. 1-3). A captured Viet Cong document dealing with activities in Cambodia has recently become available (Paras. 4-6). Cambodian military patrol interdicts strategic chemicals being smuggled into South Vietnam (Paras. 7-8).

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I. THE MILITARY SITUATION IN SOUTH VIETNAM

1. The 48-hour New Year's truce between opposing forces in South Vietnam was marked by a greater number of incidents and casualties to both sides than in the two-day Christmas stand-down. A total of 169 incidents, 67 more than in the 24-25 December period, were reported. US troops lost 17 killed and 20 wounded against three killed and 23 wounded during the Christmas cease-fire. Forty-one Viet Cong were reported to have been killed in clashes during the New Year's truce period, in contrast to 12 killed during the Christmas period.

2. Most of the incidents reported were limited actions involving short bursts of small-arms fire directed at US patrols or encampments. There were 53 instances, however, in which an exchange of fire is known to have resulted in casualties. US forces initiated the firing on one occasion when USMC elements located about 15 miles west of Hue sighted a large Communist force taking up positions near the marine emplacement. After more than a thousand enemy soldiers carrying arms including 82-mm. mortars and machine guns had been observed, the US units received permission from MACV to disperse the enemy force with artillery fire and air strikes. No report on casualties has been received thus far.

3. Another major incident occurred when a US Navy patrol boat investigating water traffic ten miles south of the Cau Mau Peninsula received heavy machine-gun fire from a pair of trawlers off-loading cargo onto sampans. The fire was returned by the US ship and other sea and air units were called in, resulting in the sinking of one trawler and heavy damage to the other from fire and secondary explosions which occurred after the vessel had run aground. Six US personnel were wounded in the incident and six crew members from one of the trawlers have been detained. An investigation is under way to determine the cargo and mission of the two trawlers.

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4. As of 6 p.m. EST on 1 January, US forces had renewed their active participation in 11 of the 24 ground operations currently under way in South Vietnam. So far, however, no significant ground contact with the enemy has been reported. Three B-52 bombing raids have been carried out in Quang Tri and Quang Ngai provinces since the termination of the New Year's cease-fire period.

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II. POLITICAL DEVELOPMENTS IN SOUTH VIETNAM

1. The Constituent Assembly is scheduled to reconvene tomorrow to begin debate on individual chapters of the constitution. The assembly concluded its discussion of the constitution's "basic principles" on 30 December by approving the insertion of a "minorities council" provision in the basic principles section. The function of the minorities council is to advise the government on affairs concerning the various minorities.

2. The assembly voted down proposals by montagnards and Khmer delegates that the basic principles section provide for "customary courts" and include guarantees that the nation will "recognize and maintain" ethnic minority traditions, on the grounds that such proposals were "details" which should be treated in other sections of the constitution.

Political Views of Southern Renaissance Bloc Leader

3. Ly Quy Chung, the floor leader of the Southern Renaissance bloc in the assembly told US Embassy officials this weekend that a completed draft of the constitution will be ready by the end of February, and that presidential elections could take place as early as May or June. He said that the only serious contenders for the presidency are former prime minister Tran Van Huong and assembly chairman Phan Khac Suu. He indicated that the southern group intends to back Huong.

4. Chung tried to mitigate the renaissance bloc's reputation for extremism in his talk with the embassy officers. He claimed that the only constitutional question dividing the assembly and the government was whether provincial officials should be elected. He indicated that a compromise solution of this issue is likely. He stated, however, that the assembly was determined not to submit the final draft of the constitution to the Directorate for review.

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5. Chung also expressed dissatisfaction with the present government. He claimed that the popular support which Ky enjoyed after the defeat of the struggle movement has now been largely dissipated. He blamed this development on widespread misgivings over the prime minister's entourage, particularly police director Loan.

General Loan's Contingency Plans

6. [] police director Loan is considering several plans to create a political crisis prior to this year's elections in the event that the constitution precludes military officers from running for office. The bogus crisis would be used by the government to justify dissolving the Constituent Assembly, annulling the constitution and postponing the elections.

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7. [] Loan is reviewing the schemes at the behest of one of his subordinates who has been urging the general to play a more active role in national affairs, and may not be fully committed to supporting them.

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Corruption

8. [] corruption among high-ranking officials is threatening the province's revolutionary development program.

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9. [] the morale of honest officials, South Vietnamese soldiers, and peasants was adversely affected by war profiteering by some provincial officials. [] the province chief, Lt. Col. Tran Dinh Vong, the assistant province chief and several district chiefs were working with local merchants in numerous black-market and vice operations, including illegal control of the province's lucrative rice trade. [] held out little prospect for local reform unless Prime Minister Ky, whom he characterized as an "honest man," can be persuaded to clean house in Binh Dinh.

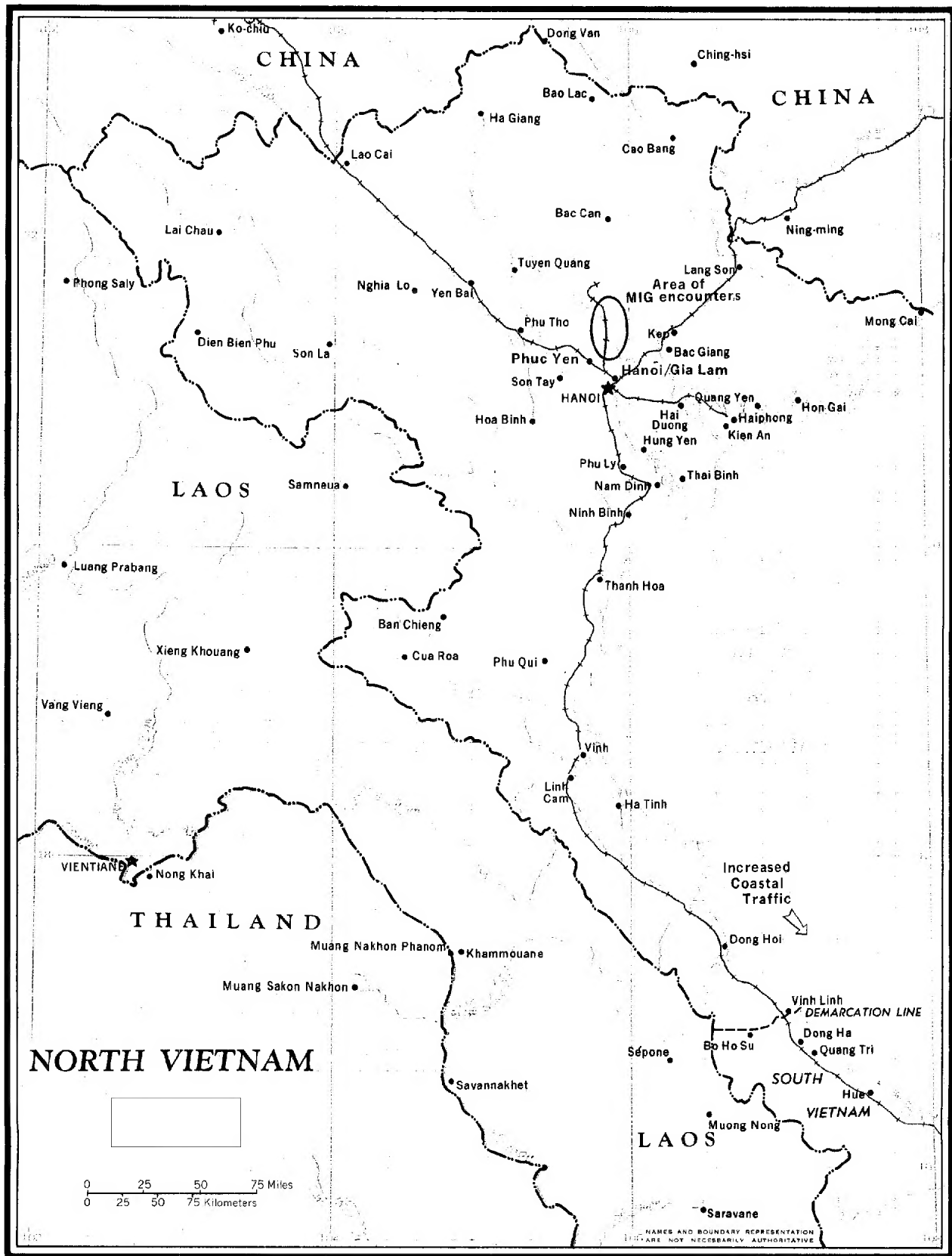
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III. MILITARY DEVELOPMENTS IN NORTH VIETNAM

1. North Vietnamese fighter planes opposing a force of 80 US aircraft in the Hanoi area on 2 January, suffered several losses as at least seven and probably eight MIG-21s were shot down. No American planes were lost as air-to-air missiles launched from F4C jets achieved the highest number of kills of any day of the air war to date.

2. The large-scale USAF mission, known as a counter-air operation, was unique in being directed solely against elements of the DRV air defense system rather than ground forces or industrial and transportation targets. The air operation was mounted with the specific intent of luring the Communist fighters into air-to-air combat--the US planes carried a full load of heat-seeking and beam-rider missiles, but no bombs. At least 14 DRV MIGs were launched against the US planes from Phuc Yen and Gia Lam airfields near Hanoi.

3. The North Vietnamese air order of battle now includes only seven of the advanced Soviet-built MIG-21 interceptors. Prior to today's engagement, US planes were credited with shooting down as many as 32 DRV fighters, seven of them MIG-21s.

DRV Coastal Shipping Rises During New Year's Truce

4. US destroyers operating off the southern coast of North Vietnam reported a considerable increase in DRV ship movements during the New Year's cease-fire period. DRV naval radars reflected an extremely high level of activity on 31 December as at least 33 vessels were tracked along the coast on a southerly heading. On the same day, the US destroyer Maddox reported sighting approximately 25 waterborne logistics craft under sail. In several instances it was noted that the North Vietnamese ships operated in groups consisting of four heavily loaded barges accompanied by one or two gun boats. A similar surge in the level of DRV coastal traffic was noted during the Christmas truce period.

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IV. OTHER COMMUNIST MILITARY DEVELOPMENTS

1. There is nothing of significance to report.

V. OTHER COMMUNIST POLITICAL DEVELOPMENTS

1. There is nothing of significance to report.

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VI. OTHER MAJOR ASPECTS

1. The Thai Government appears to be reconsidering its opposition to sending Thai combat troops to South Vietnam. Several Bangkok newspapers recently ran stories pegged to "highly placed reliable sources" that the government is considering deploying a 700-man combat team to South Vietnam. The newspaper accounts said the government now recognizes that Thai forces engaged in combat in South Vietnam would be contributing directly to Thailand's security.

2. In an apparently related development, Deputy Prime Minister Praphat told the Thai press on 29 December that Thailand was not "presently" in a position to assist other countries, but then went on to give a lengthy rationale for such a move "if necessary and if we are able."

3. Although small Thai Navy and Air Force contingents are currently serving in South Vietnam, the Thanom-Praphat government has been reluctant to commit combat troops to the war effort. It has argued that its troops are needed at home to fight the Communist insurgents in the northeast. It is probable that the Thais, who have in the past urged a vigorous prosecution of the war effort, believe that they can no longer defer sending at least a token force to South Vietnam. The recent leaks to the press suggest that the government is paving the way for such a deployment by testing Thai public opinion.

Cambodia - Viet Cong

4. A captured Viet Cong document dealing with activities in Cambodia has recently become available. The document was issued by the Kien Tuong party committee and, according to a preliminary MACV report, spells out certain precautions the Communists must take while located on Cambodian territory.

5. The Viet Cong are cautioned to move in small numbers, to maintain strict discipline, to hide weapons and sampans, and to forego "unauthorized" actions

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against the Cambodian Government. The document claims that the "front representative" in Phnom Penh has received complaints from Cambodian authorities that the Viet Cong had set up camps on Cambodian soil and carried weapons with them when moving across the border.

6. The substance of the document appears to be similar to that of another document captured last April in the same general area. The April document specified that the Communists would only permit their wounded to take refuge in Cambodia, and also stated that the precautions were necessary to preserve good relationships with local Cambodian officials. That document also included a Communist assessment that their sanctuary in Cambodia would become more important as allied forces step up operations in Communist base areas. Both documents illustrate the greater difficulties which the Communists face operating in the more heavily populated southern half of the Cambodia - South Vietnam border area.

Cambodians Interdict Chemicals

7. [REDACTED]

[REDACTED] a Cambodian patrol intercepted a group of unidentified smugglers moving into Chau Doc Province in the delta on 16 December. The Cambodians reported seizing over 100 pounds of potassium nitrate.

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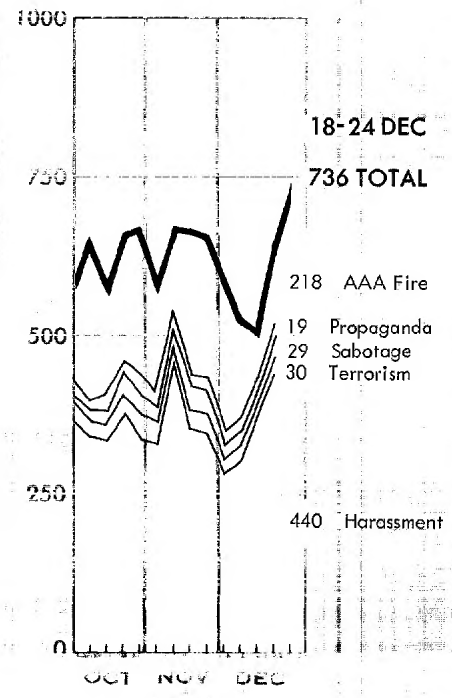
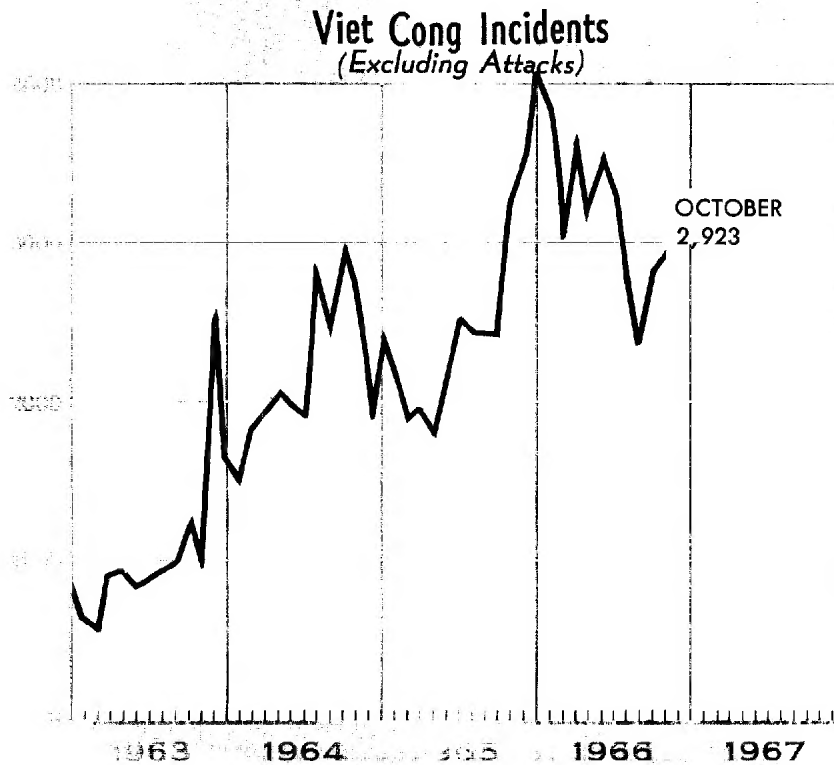
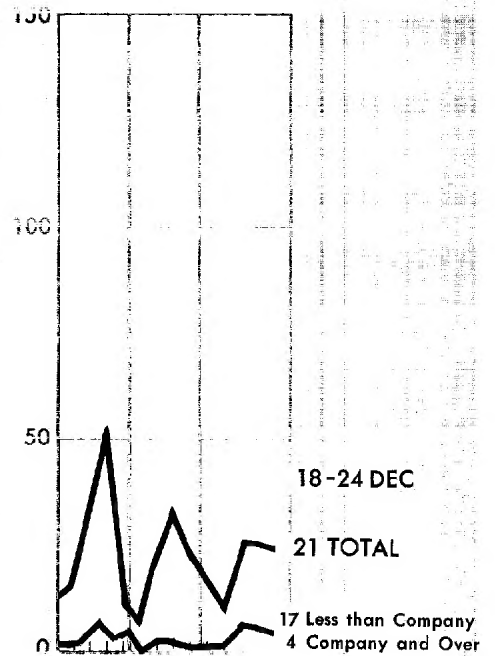
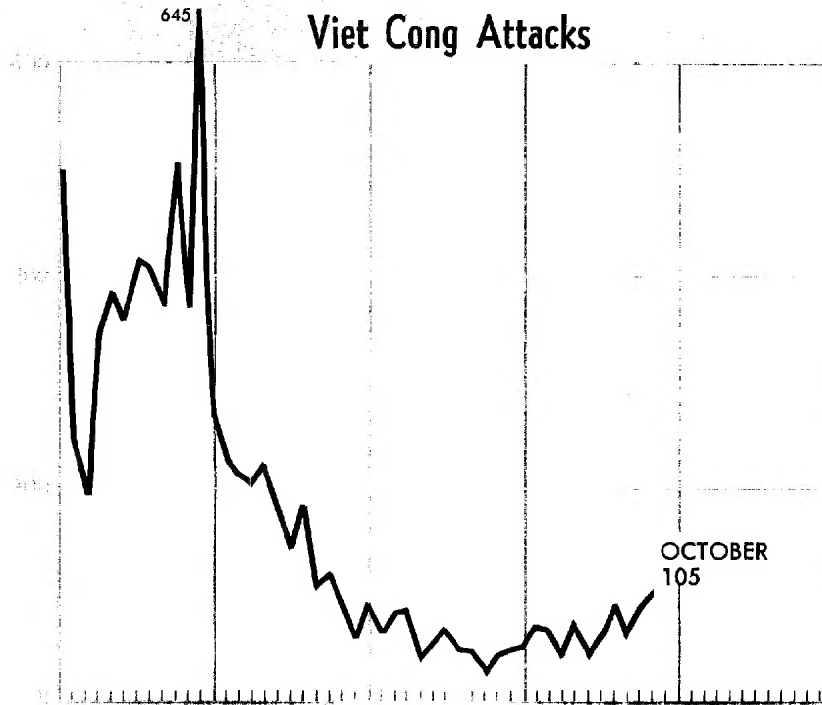
8. The Viet Cong has been procuring substantial quantities of strategic chemicals from Cambodian sources for several years. Cambodian and South Vietnamese military elements have interdicted chemical shipments on several occasions, but the traffic apparently continues with little difficulty.

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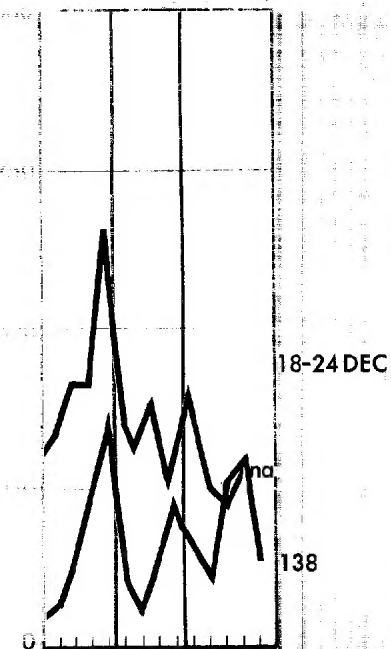
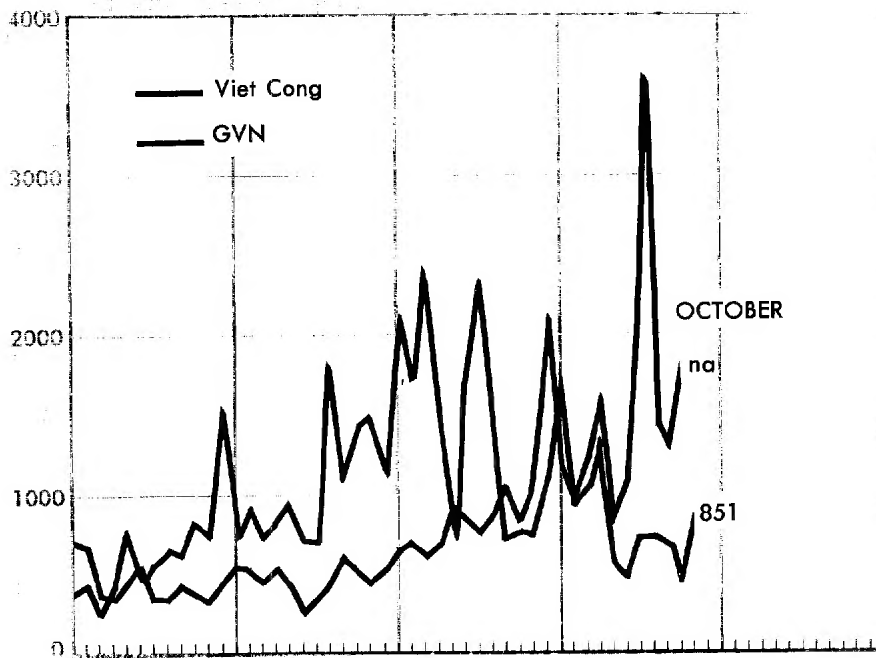
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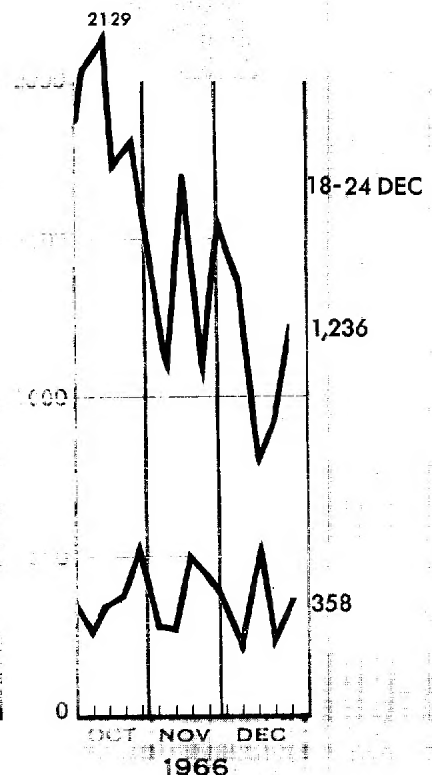
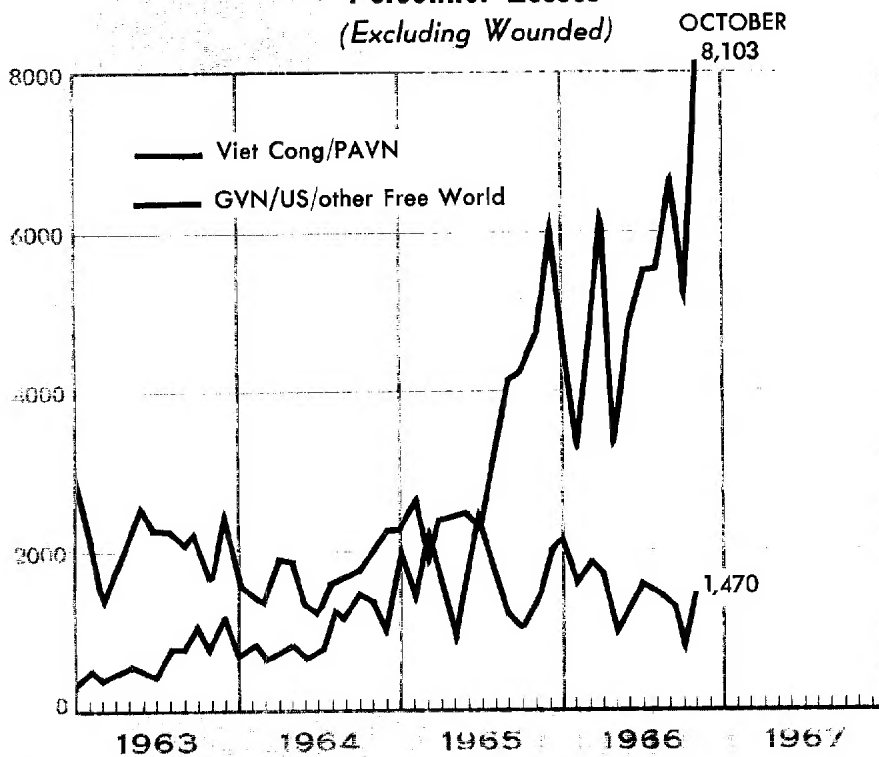


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Weapons Losses



Personnel Losses (Excluding Wounded)



US Casualties to Date: Killed 6,431 Wounded 37,240 Captured 95 Missing 379

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